

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7277

BILL NUMBER: SB 574

DATE PREPARED: Jan 19, 1999

BILL AMENDED:

SUBJECT: Drinking water and wastewater loan funds.

FISCAL ANALYST: Kristin Breen

PHONE NUMBER: 232-9567

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that money in the Wastewater Revolving Loan Fund may be used to purchase obligations issued by the Indiana Development Finance Authority to provide loans and financial assistance for wastewater collection and treatment systems that are not owned by political subdivisions. It also provides that money in the Drinking Water Revolving Loan Fund may be used to purchase obligations issued by the Indiana Development Finance Authority to provide loans and financial assistance to public water systems that are not owned by political subdivisions. It makes conforming changes. (Under current law each fund can only be used to benefit a political subdivision.)

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill provides that money in the Wastewater Revolving Loan Fund and the Drinking Water Revolving Loan Fund may be used to purchase obligations issued by the Indiana Development Finance Authority (IDFA) to provide loans and financial assistance for wastewater collection and treatment systems or for public water systems that are not owned by political subdivisions. This would expand eligibility for funding to include investor-owned water and wastewater utilities and private companies. It is estimated that \$40 to \$60 million in financial assistance is available from the Drinking Water and Wastewater Revolving Loan Funds each year. The actual amount of money loaned each year is dependent upon demand.

IDFA would incur additional expenses if it issues obligations for the purpose of providing loans or other financial assistance to wastewater collection and treatment systems or to public water systems that are not owned by political subdivisions.

Explanation of State Revenues: If Indiana does not allow these private entities to be eligible under the state program, the amount of money Indiana receives in capitalization grants from the U.S. Environmental Protection Agency (EPA) could be impacted. Money from the EPA and state matching funds are leveraged

in the bond market. Money from the bonds is then used for loans. Indiana's appropriation from the EPA for the Drinking Water Revolving Loan Fund was approximately \$8.7 million in FY 98 and approximately \$9.3 million in FY 99. Indiana's appropriation for the Wastewater Revolving Loan Fund is not currently known. This information will be updated when it is received.

Explanation of Local Expenditures:

Explanation of Local Revenues: If private entities become eligible for funding from the revolving loan funds, the amount of money available for political subdivisions could be impacted.

State Agencies Affected: State Budget Agency; Indiana Department of Environmental Management.

Local Agencies Affected: Political subdivisions

Information Sources: Dan Novreske, State Budget Agency, 233-5707.